

AR26

Stuart House

Annual Report

Period Ending December 31, 1979

Stuart House International Limited

STUART HOUSE INTERNATIONAL LIMITED

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that the Annual and Special General Meeting of Shareholders of Stuart House International Limited (the "Corporation") will be held at the Corporation's offices, 22 Lido Road, Weston, Ontario on Wednesday, the 11th day of June, 1980, at 10:00 o'clock in the forenoon (Toronto time), for the following purposes:

- (1) To consider, and if thought fit, to sanction and confirm, with or without variation, By-law No. 22 being a by-law changing the fiscal year end of the Corporation from the last day of February to the 31st day of December;
- (2) To receive and consider the annual report of the Corporation including the consolidated financial statements for the ten-month fiscal period ended December 31, 1979;
- (3) To elect directors;
- (4) To appoint Resnick, Wintraub & Co. as auditors and to authorize the directors to fix their remuneration;
- (5) To consider, and if thought fit, to pass, with or without variation, a Special Resolution authorizing the directors to apply, pursuant to section 181 of the Canada Business Corporations Act, for a certificate of continuance and approving the articles of continuance and all amendments to the letters patent and supplementary letters patent of the Corporation reflected therein;
- (6) To consider, and if thought fit, to sanction and confirm, with or without variation, By-law No. One, being a by-law relating generally to the transaction of the business and affairs of the Corporation, to become effective upon the date of the certificate of continuance of the Corporation under the Canada Business Corporations Act;
- (7) To consider, and if thought fit, to sanction and confirm, with or without variation, By-law No. Two, being a by-law authorizing the directors to borrow and give security in the form required by the Corporation's bankers, to become effective upon the date of the certificate of continuance of the Corporation under the Canada Business Corporations Act; and
- (8) To transact such other business as may properly come before the meeting.

DATED at Toronto, Ontario, this 12th day of May, 1980.

By Order of the Board,

Tyrus Ebata,
Secretary.

SHAREHOLDERS WHO ARE UNABLE TO ATTEND THE MEETING ARE INVITED TO SIGN AND RETURN THE ACCOMPANYING FORM OF PROXY FOR USE AT THE MEETING.

STUART HOUSE INTERNATIONAL LIMITED

MANAGEMENT PROXY CIRCULAR

MANAGEMENT SOLICITATION

Solicitation of Proxies

This information circular is furnished in connection with the solicitation of proxies for use at the Annual and Special General Meeting of Shareholders of Stuart House International Limited (hereinafter called the "Corporation") to be held on Wednesday, June 11, 1980 and at any adjournment thereof (the "Meeting"). **THIS SOLICITATION OF PROXIES IS BEING MADE BY THE MANAGEMENT OF THE CORPORATION.** It is expected that the solicitation of proxies will be made by mail and that the cost of such solicitation will be borne by the Corporation.

Appointment and Revocation of Proxies

The persons named in the enclosed proxy are directors of the Corporation. A shareholder has the right to appoint a person other than the persons named in the enclosed proxy to represent him at the Meeting and may do so by striking out the names presently on the form and inserting the name of his appointment (who need not be a shareholder) in the space provided.

A shareholder who has given a proxy may revoke it by signing a written notice of revocation, or by a proxy bearing a later date, and delivering it to the head office of the Corporation at any time prior to the Meeting.

Voting of Shares and Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed, unless directed to withhold the voting of such shares. In the absence of such direction, such shares will be voted for the sanction and confirmation of By-law No. 22, for the election of directors, for the appointment of auditors and authorization of the directors to fix their remuneration, for the continuance of the Corporation under the Canada Business Corporations Act and for the sanction and confirmation of By-laws One and Two as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations of matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of printing this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Shares

There are outstanding 623,310 common shares without par value. Each common share carries the right to one vote per share. Any registered shareholder of record at the time of the Meeting will be entitled to one vote per share at the Meeting.

To the knowledge of the directors or officers of the Corporation, the only persons beneficially owning or exercising control or direction over shares which carry more than 10% of the votes attached to shares of the Corporation are John Stuart Sales and Management Limited which owns 152,029 common shares representing 24.5% and Vanctor Investments Limited which owns 350,000 common shares representing 56.3% of the outstanding common shares of the Corporation. The beneficial ownership of one fifth of all the issued shares of Vanctor Investments Limited is held by each of the following directors and officers of the Corporation: John L. Stuart, Howard Maitman, A. W. (Bill) Harding, Charles Hoy and Tyrus Ebata.

Election of Directors

The by-laws of the Corporation provide that the board of directors shall consist of five directors to be elected annually. The term of office of each director expires upon the election of his successor, unless he resigns or his office becomes vacant through death or some other cause.

The following five persons are proposed for nomination for election as directors at this Meeting:

<u>Name</u>	<u>Offices or Other Positions held in the Corporation</u>	<u>Principal Occupation</u>	<u>Became Director</u>	<u>Approximate Number of common shares of the Corporation beneficially owned directly or indirectly or over which control or direction is exercised as of April 30, 1980</u>
JOHN L. STUART	President	Senior Officer of the Corporation for more than five years.	1954	3,209(1)
HOWARD MAITMAN	Vice-President Finance	Senior Officer of the Corporation for more than five years.	1970	101(1)
BILL HARDING	Vice-President Sales	Ontario Divisional Sales Manager of the Corporation for more than five years.	1973	101(1)
CHARLES HOY	Vice-President Sales	Western Divisional Sales Manager of the Corporation for more than five years.	1973	201(1)
TYRUS EBATA	Secretary-Treasurer	Secretary of the Corporation for more than five years.	1974	11(1)

In addition to the indicated ownership of common shares, each of Messrs. J. L. Stuart, H. Maitman, A. W. Harding, C. Hoy and T. Ebata beneficially owned 20% of all the issued shares of Vanctor Investments Limited which, in turn, owned 350,000 common shares of the Corporation.

In addition to the foregoing nominees for election as directors at this meeting, the following two persons are proposed for nomination for election at this Meeting as directors effective upon the issue of the certificate of continuance of the Corporation under the Canada Business Corporations Act.

<u>Name</u>	<u>Principal Occupation</u>	<u>Periods during which he has previously served as a director of the Corporation</u>	<u>Approximate number of common shares of the Corporation beneficially owned directly or indirectly or over which control or direction is exercised as of April 30, 1980</u>
MAXWELL KOGAN	Independent Sales Agent	—	100
ROBERT BISHOP JR.	Resort Manager	—	0

Remuneration of Directors and Senior Officers

Directors' and Officers' Remuneration from the Corporation and its Subsidiaries

Nature of Remuneration Earned

Remuneration of Directors

(A) Number of Directors: 5

(B) Body Corporate incurring the expense:
Not applicable

Remuneration of Officers

(A) Number of Officers: 5

(B) Body Corporate incurring the expense:
Stuart House Canada Limited

TOTALS

Directors' Fees	Salaries	Bonuses	Non-accountable expense all	Others (note 1)	Total
—	\$172,645	\$35,500	—	\$120,598	\$328,743
—	\$172,645	\$35,500	—	\$120,598	\$328,743

Note 1: These amounts were paid to officers as employees by way of commissions.

The approximate aggregate cost to the Corporation and its consolidated subsidiaries in the ten-month period ended December 31, 1979 of normal pension benefits proposed to be paid to the directors and senior officers of the Corporation upon retirement was \$17,500.

Indebtedness of Directors and Senior Officers

In current and prior years, loans were made by a subsidiary to employees, some of whom are also directors, for the purpose of purchasing dwellings for their own occupancy. The loans to employees at December 31, 1979 aggregate \$173,800 and are secured by mortgages on properties bearing interest at the rate of 7% per annum.

Additional details with respect to these loans to directors and senior officers of the Corporation are as follows:

<u>Name of Employee To Whom Loan was Made</u>	<u>Largest Amount of Debt Outstanding at any Time During Ten-Month Fiscal Period Ended December 31, 1979</u>	<u>Amount of Debt Presently Outstanding</u>
John L. Stuart	\$17,133	\$15,100
Howard Maitman	\$72,000	\$72,000
Bill Harding	\$40,120	\$37,160
Charles Hoy	\$32,795	\$27,830

Interest of Insiders in Material Transactions

By Agreement made as at December 22, 1972 and as subsequently amended between the Corporation, John Stuart Sales and Management Limited and Mr. John Stuart, the Corporation engaged John Stuart Sales and Management Limited as a consultant and appointed it as exclusive distributor of all products of the Corporation and its subsidiaries in the Islands of the Caribbean until December 31, 1982 subject to earlier termination on 60 days' notice under certain conditions. Under this agreement John Stuart Sales and Management Limited will be paid \$30,000 per annum and commission of 7½% of the sale price of all products sold in the Caribbean Islands. John Stuart Sales and Management Limited will also be entitled to the proper expenses incurred in the performance of its consulting duties. The aggregate amount paid to John Stuart Sales and Management Limited under his agreement during the ten-month fiscal period ended December 31, 1979 was \$35,000.

Appointment of Auditors

Messrs. Resnick, Wintraub & Co. were the auditors of the Corporation during the year and have been the auditors of the Corporation since 1973. The management proposes that this firm be reappointed auditors of the Corporation at the Meeting.

By-Law No. 22

By-law No. 22 of the Corporation was adopted by a resolution of the Board of Directors of the Corporation on October 25, 1979 and will be submitted to the Meeting for approval. If confirmed by the shareholders, it will continue in effect the change of fiscal year end of the Corporation from the last day of February in each year to the 31st day of December in each year. Reference is made to the copy of By-law No. 22 which is reproduced as Exhibit "A" to this information circular.

Continuance and Amendments

The Corporation is presently governed by the Canada Corporations Act (old act). A new act called the Canada Business Corporations Act (new act) replacing the old act came into force on December 15, 1975, and the Corporation must be continued under the new act within five years from said date. It is felt advisable that the Corporation be continued under the new act at this time. The new act provides that, by the Special Resolution authorizing such continuance, the shareholders may make amendments to the letters patent or supplementary letters patent of a corporation.

The material differences between the old and the new act as they relate to the Corporation, as well as principal amendments to the present charter of the Corporation are as follows:

1. The new act permits an unlimited number of authorized shares. As indicated in the Articles of Continuance, it is proposed that the Common Shares be unlimited as to the authorized number.
2. The new act permits flexibility in the number of directors and, as indicated in the Articles of Continuance, the number of directors of the Corporation will be such number, not less than three nor more than nine, as may be determined from time to time by the directors. The old act requires that a fixed number of directors be stated.
3. Under the new act, at least two of the directors shall not be officers or employees of the Corporation or its affiliates. The old act contains no outside director requirement.
4. Under the new act, a corporation has all the powers of a natural person and is not restricted in the business which it may carry on unless otherwise provided in its articles. The old act provides that a corporation has only those corporate powers set out in its letters patent and supplementary letters patent together with ancillary powers contained in the old act. It is not proposed to include in the Articles of Continuance any restriction on the business which the Corporation may carry on.
5. Under the new act, so long as a corporation meets certain solvency tests, it will be permitted to purchase or otherwise acquire shares issued by it. The old act does not allow any such purchases except in limited cases.
6. Under the new act, a majority of the directors or of any committee of the directors of the Corporation must be resident Canadians. The old act contains no Canadian residency requirements.
7. Under the new act, if a corporation makes certain amendments to its articles, shareholders have the right to dissent and require the corporation to purchase their shares in the corporation for fair value. The old act does not provide for such procedure.

The Articles of Continuance amend the Letters Patent of the Corporation and in effect become its charter upon its continuance which is to be effective as soon as practicable following the Meeting.

It is therefore proposed that a Special Resolution (annexed hereto as Exhibit "B") authorizing the directors to apply for continuance under the new act and approving the proposed Articles of Continuance (also set out in said Exhibit "B") be passed at the Meeting. THIS SPECIAL RESOLUTION MUST BE PASSED BY NOT LESS THAN TWO-THIRDS OF THE VOTES CAST BY THE HOLDERS OF THE COMMON SHARES VOTING AT THE MEETING.

New By-Laws

By-law One (the "New General By-law") and By-law Two (the "New Borrowing By-law") of the Corporation were adopted by resolutions of the Board of Directors of the Corporation on February 10, 1980 and will be submitted to the meeting for approval. If confirmed by the shareholders, they will become effective upon the date of the certificate of continuance of the Corporation under the Canada Business Corporations Act (the "New Act").

The New General By-law reflects changes designed to give effect to the New Act and to take advantage of new and more flexible procedures available under the New Act as well as the substantial inclusion in the New Act of many topics formerly dealt with in the Corporation's by-laws. There are also numerous technical and stylistic changes.

The New Borrowing By-law is in a standard form required by the Corporation's Canadian bankers and reflects changes designed to give effect to the New Act.

Reference is made to the New General By-law and the New Borrowing By-law reproduced as Exhibit "C" to this information circular for the text and details.

Approval by Directors

The directors of the Corporation have approved the contents of this circular and the sending thereof.

Toronto, Ontario,
May 12, 1980

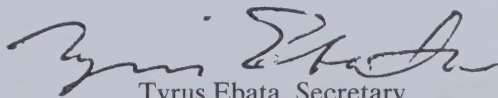

Tyrus Ebata, Secretary

EXHIBIT "A"

STUART HOUSE INTERNATIONAL LIMITED

BY-LAW NO. 22

BE IT ENACTED AND IT IS HEREBY ENACTED as a by-law of Stuart House International Limited (hereinafter called the "Company") as follows:

1. The fiscal period of the Company which commenced the 1st day of March, 1979 shall terminate on the 31st day of December, 1979 and thereafter the fiscal period of the Company shall terminate on the 31st day of December in each year or on such date as the directors may from time to time by resolution determine.
2. The by-laws of the Company be and the same are hereby amended to accord with the foregoing.
3. The provisions of this by-law shall become effective upon the Company obtaining the concurrence of the Minister of National Revenue under the Income Tax Act (Canada) to the change in the fiscal period of the Company.

ENACTED the 25th day of October, 1979.

WITNESS the corporate seal of the Company.

"JOHN L. STUART"
President

(c/s)

"TYRUS EBATA"
Secretary

EXHIBIT "B"

SPECIAL RESOLUTION

WHEREAS Stuart House International Limited (the "Corporation") was incorporated by letters patent dated August 7, 1946; and

WHEREAS the said letters patent were amended by supplementary letters dated respectively July 14, 1958, October 27, 1960 and April 7, 1964;

WHEREAS it is considered to be in the best interests of the Corporation that it be continued under the Canada Business Corporations Act pursuant to Section 181 of the said Act;

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The directors of the Corporation are hereby authorized and directed to make application pursuant to Section 181 of the Canada Business Corporations Act (the "Act") to the Director appointed under the Act for a certificate of continuance of the Corporation;
2. The articles of continuance of the Corporation under the Act, which have been submitted to this meeting and annexed to the minutes hereof as Schedule "A", are approved;
3. The letters patent incorporating the Corporation as the same have been amended and supplemented by supplementary letters patent are hereby amended by substituting for all provisions thereof the provisions set out in the said articles of continuance;
4. Any one of the officers and directors of the Corporation is hereby authorized to take all such action and execute and deliver all such documentation, including without limitation the said articles of continuance, the notice of registered office and the notice of directors in the forms prescribed by the Act, which may be considered necessary or desirable for the implementation of this special resolution.

" SCHEDULE A"

CANADA BUSINESS
CORPORATIONS ACT



LOI SUR LES SOCIÉTÉS
COMMERCIALES CANADIENNES

FORM 11

FORMULE 11

ARTICLES OF CONTINUANCE
(SECTION 181)

CLAUSES DE PROROGATION
(ARTICLE 181)

1 - Name of Corporation

Dénomination de la société

STUART HOUSE INTERNATIONAL LIMITED

2 - The place in Canada where the registered office is to be situated

Lieu au Canada où doit être situé le siège social

Municipality of Metropolitan Toronto, Province of Ontario

3 - The classes and any maximum number of shares that the corporation is authorized to issue

Catégories et tout nombre maximal d'actions que la société est autorisée à émettre

An unlimited number of common shares without par value

4 - Restrictions if any on share transfers

Restrictions sur le transfert des actions s'il y a lieu.

None

5 - Number (or minimum and maximum number) of directors

Nombre (ou nombre minimum et maximum) d'administrateurs

The minimum number of directors is 3. The maximum number of directors is 9. The actual number of directors is to be determined from time to time by the board of directors

6 - Restrictions if any on businesses the corporation may carry on

Limites imposées quant aux activités que la société peut exploiter, s'il y a lieu. -

None

7 - (1) If change of name effected, previous name

(2) Details of incorporation

(1) Si changement de dénomination, dénomination antérieure

(2) Détails de la constitution

N/A

AUGUST 7th , 1946

8 - Other provisions if any

Autres dispositions s'il y a lieu

The annexed Schedule 1 is incorporated in this form.

Date	Signature	Description of Office - Description du poste

FOR DEPARTMENTAL USE ONLY

À L'USAGE DU MINISTÈRE SEULEMENT

Corporation No. -- No de la société

Filed - Déposée

SCHEDULE 1 TO ARTICLES OF CONTINUANCE

STUART HOUSE INTERNATIONAL LIMITED

1. Without limiting the borrowing powers of the Corporation as set forth in the Canada Business Corporations Act, the board of directors of the Company may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other evidence of indebtedness or guarantee of the Corporation, whether secured or unsecured; and
- (c) mortgage, hypothecate, pledge or otherwise create an interest in or charge upon all or any property (including the undertaking and rights) of the Corporation, owned or subsequently acquired, by way of mortgage, hypothec, pledge or otherwise, to secure payment of any such evidence of indebtedness or guarantee of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted, or endorsed by or on behalf of the Corporation.

2. The board of directors may from time to time delegate to such one or more of the directors and officers of the Corporation as may be designated by the board all or any of the powers conferred on the board above to such extent and in such manner as the board shall determine at the time of each such delegation.

EXHIBIT "C"

BY-LAW NO. ONE

**A by-law relating generally to the transaction
of the business and affairs of**

Stuart House International Limited **(hereinafter referred to as the "Corporation")**

DIRECTORS

1. **Calling of and Notice of Meetings** — Meetings of the board shall be held at such time and on such day as the chairman of the board, president or a vice-president, if any, or any two directors may determine. Notice of meetings of the board shall be given to each director not less than forty-eight hours before the time when the meeting is to be held. Each newly elected board may without notice hold its first meeting for the purposes of organization and the election and appointment of officers immediately following the meeting of shareholders at which such board was elected, provided a quorum of directors be present.
2. **Votes to Govern** — At all meetings of the board every question shall be decided by a majority of the votes cast on the question; and in case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.
3. **Interest of Directors and Officers Generally in Contracts** — No director or officer shall be disqualified by his office from contracting with the Corporation nor shall any contract or arrangement entered into by or on behalf of the Corporation with any director or officer or in which any director or officer is in any way interested be liable to be voided nor shall any director or officer so contracting or being so interested be liable to account to the Corporation for any profit realized by any such contract or arrangement by reason of such director or officer holding that office or of the fiduciary relationship thereby established; provided that the director or officer shall have complied with the provisions of the Canada Business Corporations Act.

INDEMNIFICATION

4. **Indemnification of Directors and Officers** — The Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and his heirs and legal representatives to the extent permitted by the Canada Business Corporations Act.
5. **Indemnity of Others** — Except as otherwise required by the Canada Business Corporations Act and subject to paragraph 4, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact he is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another corporation, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted honestly and in good faith with a view to the best interests of the Corporation, and with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his conduct was lawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, shall not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interests of the Corporation, and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his conduct was lawful.
6. **Right of Indemnity not Exclusive** — The provisions for indemnification contained in the by-laws of the Corporation shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and

shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

7. **No Liability of Directors or Officers for Certain Acts, etc.** — To the extent permitted by law, no director or officer for the time being of the Corporation shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the moneys of or belonging to the Corporation shall be placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person, firm or corporation with whom or which any moneys, securities or effects shall be lodged or deposited or for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any moneys, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever which may happen in the execution of the duties of his respective office or trust or in relation thereto unless the same shall happen by or through his failure to act honestly and in good faith with a view to the best interests of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation shall be employed by or shall perform services for the Corporation otherwise than as a director or officer or shall be a member of a firm or a shareholder, director or officer of a company which is employed by or performs services for the Corporation, the fact of his being a director or officer of the Corporation shall not disentitle such director or officer or such firm or company, as the case may be, from receiving proper remuneration for such services.

BANKING ARRANGEMENTS, CONTRACTS, ETC.

8. **Banking Arrangements** — The banking business of the Corporation, or any part thereof, shall be transacted with such banks, trust companies or other financial institutions as the board may designate, appoint or authorize from time to time by resolution and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers and/or other persons as the board may designate, direct or authorize from time to time by resolution and to the extent therein provided.

9. **Execution of Instruments** — Contracts, documents or instruments in writing requiring execution by the Corporation may be signed by any two officers or directors, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The board of directors is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and deliver specific contracts, documents or instruments in writing. The term "contracts, documents or instruments in writing" as used in this by-law shall include deeds, mortgages, charges, conveyances, transfers and assignments of property of all kinds including specifically but without limitation transfers and assignments of shares, warrants, bonds, debentures or other securities and all paper writings.

MISCELLANEOUS

10. **Invalidity of any Provisions of this By-Law** — The invalidity or unenforceability of any provision of this by-law shall not affect the validity or enforceability of the remaining provisions of this by-law.

INTERPRETATION

11. In this by-law and all other by-laws of the Corporation words importing the singular number only shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders; words importing persons shall include an individual, partnership, association, body corporate, executor, administrator or legal representative and any number or aggregate of persons; "articles" include the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement and articles of revival; "board" shall mean the board of directors of the Corporation; "Canada Business Corporations Act" shall mean Canada Business Corporations Act, S.C. 1974-75, Chapter 33 as amended from time to time or any Act that may hereafter be substituted therefor; and "meeting of shareholders" shall mean and include an annual meeting of shareholders and a special meeting of shareholders.

REPEAL AND COMING INTO FORCE

12. **Effective Date** — Subject to its confirmation by the shareholders in accordance with the Canada Business Corporations Act, this by-law shall come into force on the date of issue of a certificate of continuance to the Corporation continuing the Corporation under the Canada Business Corporations Act.

13. **Repeal** — All previous by-laws of the Corporation, except such by-laws of the Corporation as have been confirmed by the issue of supplementary letters patent, are repealed as of the coming into force of this by-law provided that such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All officers and persons acting under any by-law so repealed shall continue to act as if appointed by the directors under the provisions of this by-law or the Canada Business Corporations Act until their successors are appointed.

MADE the 10th day of February, 1980.

WITNESS the corporate seal of the Corporation.

"JOHN L. STUART"
President

(c/s)

"TYRUS EBATA"
Secretary

BY-LAW NO. TWO

BY-LAW TO AUTHORIZE THE DIRECTORS TO BORROW AND GIVE SECURITY

The Directors of the Corporation are hereby authorized from time to time

- (a) to borrow money upon the credit of the Corporation in such amounts and on such terms as may be deemed expedient by obtaining loans or advances or by way of overdraft or otherwise;
- (b) to issue or reissue debt obligations of the Corporation;
- (c) to pledge or sell such debt obligations for such sums and at such prices as may be deemed expedient;
- (d) to mortgage, hypothecate, pledge or otherwise create a security interest in all or any property real or personal, immovable or moveable, undertaking and rights of the Corporation, owned or subsequently acquired, to secure any debt obligations of the Corporation present or future or any money borrowed or to be borrowed or any other debt or liability of the Corporation present and future;
- (e) to delegate to such officer(s), Director(s) or committee of Directors of the Corporation as the Directors may designate all or any of the foregoing powers to such extent and in such manner as the Directors may determine.

This By-law shall remain in force and be binding upon the Corporation as regards any party acting on the faith thereof until a copy, certified by the Secretary of the Corporation, of a By-law repealing this By-law shall have been received by such party and duly acknowledge in writing.

ENACTED this 10th day of February, 1980.

WITNESS the corporate seal of the Company.

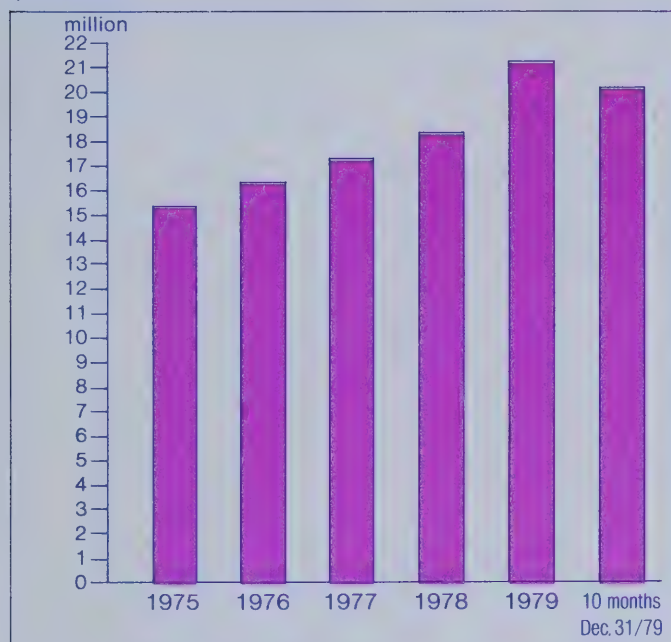
"JOHN L. STUART"
President

(c/s)

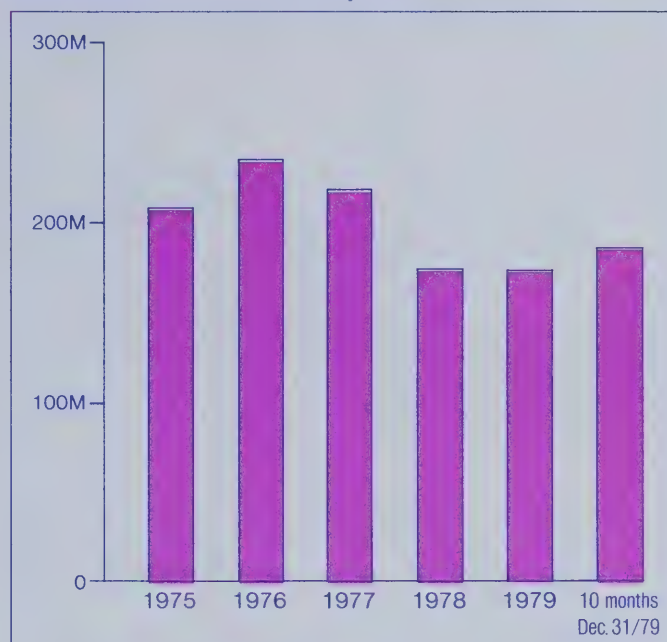
"TYRUS EBATA"
Secretary

THE HIGHLIGHTS

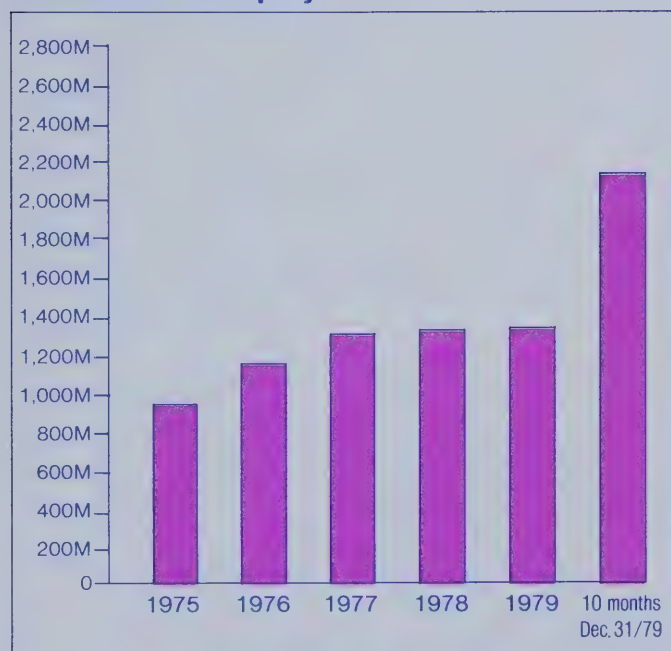
\$ Sales



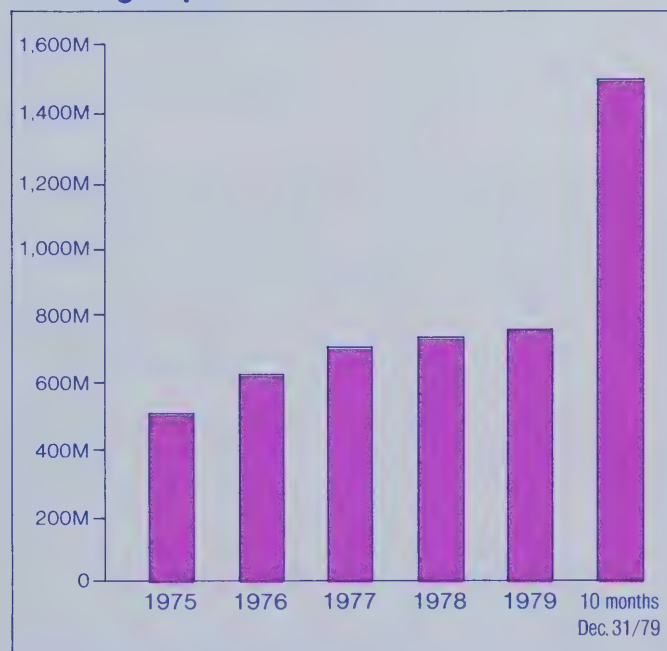
Net Profit Before Extraordinary Items



Shareholders' Equity



Working Capital



Balance Sheet Highlights

\$000	1975	1976	1977	1978	1979	10 months Dec. 31/79
Current Liabilities	\$1,374	\$1,290	\$1,375	\$1,942	\$1,707	\$2,597
Total Liabilities	1,374	1,290	1,375	1,942	1,707	2,602
Current Assets	1,876	1,900	2,060	2,669	2,443	4,074
Tangible Assets	2,046	2,208	2,440	3,022	2,823	4,777
Shareholders' Equity	907	1,145	1,291	1,304	1,325	2,140
Working Capital	492	614	691	726	736	1,477

Operating Highlights

\$000	1975	1976	1977	1978	1979	10 months Dec. 31/79
Sales*	\$15,284	\$16,264	\$17,379	\$17,575	\$21,222	\$20,453
Gross Profit	447	477	413	348	321	353
Profit before Extraordinary Items	202	233	217	173	172	183
Earnings per share	32.6¢	37.6¢	35.1¢	27.9¢	27.6¢	29.3¢
Net Profit including Extraordinary Items	338	239	221	173	154	883
Per Share including Extraordinary Items	54.4¢	38.6¢	37.5¢	27.9¢	24.7¢	\$1.42

STUART HOUSE INTERNATIONAL LIMITED

DIRECTORS AND CHIEF EXECUTIVE OFFICERS

President	John Lyon Stuart
Vice-President — Sales Eastern Canada	A. W. (Bill) Harding
Vice-President — Sales Western Canada	C. E. (Chas.) Hoy
Vice-President — Finance	Howard Maitman
Secretary	Tyrus Ebata

BANKERS

The Royal Bank of Canada

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company, Toronto and Calgary

AUDITORS

Resnick, Wintraub & Co. Toronto, Ontario

SALES OFFICE WAREHOUSE AND MANAGERS

Head Office and Toronto Warehouse	22 Lido Road, Weston, Ontario Don Scott, Sales Manager, 416-745-8850
Plant	66 Rivalda Road, Weston, Ontario Ted Mitchell, Plant Manager, 416-745-8850
Montreal	1999 Frances Hughes, Chomedey Laval, Quebec Nick Trudel, Sales Manager, 514-663-6110
Halifax	Maritime Warehouse, 28 Topple Dr., Dartmouth, Nova Scotia Lew Hue, Sales Manager, 902-463-1661
Winnipeg	Seaway Midwest, 1731 Inkster Blvd., Winnipeg, Manitoba Ron Henley, Sales Manager, 204-633-6510
Vancouver	M & W Distribution, 927 Derwent Way, Annacis Island New Westminster, British Columbia Bob Clare, Sales Manager, 604-525-7355

SUBSIDIARY COMPANIES

Stuart House Canada Limited	Weston, Ontario
Burlington Packaging Limited	Burlington, Ontario
Stuart House Ontario Limited	Weston, Ontario

PRESIDENT'S LETTER

To Our Shareholders:

It has been an eventful year for the company, and a good one too. As a matter of fact, I guess that's the first point we should make — that we have changed our year end to December 31, and the year ending December 31, 1979 is only ten months. We did this primarily so that our year end would coincide with that of the majority of our major accounts and principals to simplify annual and quarterly statistical reports.

It is difficult to make meaningful comparisons between this year's ten months, and last year's twelve months. However, even comparing the ten months ending December 31, 1979, with the 12 months ending February 28, 1979 our Operating Profit Before Income Taxes and Extraordinary Items was 10% higher at \$353,000, as compared with \$321,000 in the earlier period. We made approximately \$30,000 in January, February, 1980, so you can see that a comparison of the twelve month periods' profits would have shown 1979 to be that much better again.

Sales for this fiscal period are slightly below last year's, but sales figures are one statistic on which we can compare identical periods, and they show a good improvement for this year. Our sales for the ten months ending December 31, 1979 were \$20,450,000, which was an increase of 16% over the sales of \$17,680,000 in the 10 months ending December 31, 1978.

Another important event during the year, was our sale of the Romar 90 Pet Food Trade Mark to Standard Brands Limited. We received a substantial amount of cash, which was responsible for the Extraordinary Profit Item of \$700,000 or \$1.12 per share. In addition, we will continue to sell Romar 90 as sales agents of Standard Brands for a minimum of three years from the transfer of Trade Mark in November, 1979. Aside from our profit on the sale, we believe that this transaction will be a good one for both parties. The Standard Brands people were anxious to get the production volume for their new manufacturing facility, and since Romar was always custom packed for us anyway, that part of the deal just meant a new packer for Romar.

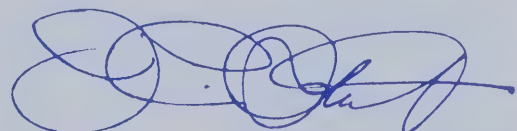
We are primarily in the sales business, and we will continue to represent Romar as sales agents. In fact, with today's increased regulation of the pet food industry and the need for strict nutrition and quality control, we were convinced that marriage with a sophisticated manufacturing company, like Standard Brands, was a necessity if we were to stay in the pet food business. Now, with Standard Brands improved manufacturing plant and their fine research facilities, this deal should enable us to really build the Romar sales volume.

The good operating profits, and this Extraordinary Profit have enabled us to further strengthen the company's financial position. You will see that our Tangible Assets have increased significantly and the company's Working Capital doubled from \$736,000 at February 28, 1979 to \$1,477,000 at December 31, 1979. Your directors feel that this improvement warrants an increase in the annual dividend rate on our common shares, and we have approved a new rate of 5¢ per quarter, 20¢ a share on an annual basis effective with quarterly dividend of May 24th, 1980.

Finally, I am pleased to advise that this will probably be my last letter to you, as President of the company. I say, pleased, because I am moving to Chairman of the Board of Directors and Bill Harding becomes President. I know Bill is going to make a great President, he has been with the company for 21 years, starting as a sales representative in London, Ontario, and working his way up to Vice-President of Sales for Eastern Canada. Together with Charlie Hoy, his counterpart in Western Canada, Bill has been one of the major contributors to the company's excellent sales results in the last few years, and I know he will continue that great record in his new job. We are fortunate too, in having the very best of successors for Bill's sales responsibilities, as Charlie Hoy has agreed to give up beautiful British Columbia, to move to Toronto, and take over as Vice-President of Sales and Marketing for the entire country.

All in all, we are very pleased with the results and events of the past year, and hope you agree.

On behalf of the Board,



JOHN LYON STUART
President

Toronto, Ont.
April 16, 1980

CONSOLIDATED BALANCE SHEET

(with comparative figures)

ASSETS		Dec. 31, 1979	Feb. 28, 1979
Current Assets			
Cash and term deposit		\$ 1,071,332	\$ 140,492
Accounts receivable		870,571	1,010,277
Inventories, at lower of cost or net realizable value		2,113,204	1,278,258
Prepaid expenses		19,240	13,925
		<u>4,074,347</u>	<u>2,442,952</u>
Investments			
Loans receivable (Note 8)		173,800	190,266
Notes receivable (Note 9)		179,024	80,403
Cash surrender value of life insurance (Notes 7 and 9)		—	9,850
		<u>352,824</u>	<u>280,519</u>
Fixed Assets (Note 2)		<u>349,285</u>	<u>100,050</u>
Other Assets			
Excess of cost of investments in subsidiaries over net book value at acquisition (Note 1)		—	245,333
		<u>\$4,776,456</u>	<u>\$3,068,854</u>

Approved on behalf of the Board:



Director



Director

AUDITORS' REPORT
To the Shareholders of
Stuart House International Limited

Toronto, Ontario
 March 21, 1980

We have examined the consolidated balance sheet of Stuart House International Limited as at December 31, 1979 and the consolidated statements of operations, retained earnings and changes in financial position for the ten months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

NATIONAL LIMITED

(Laws of Canada)

AS AT DECEMBER 31, 1979 (NOTE 11)

(February 28, 1979)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Dec. 31, 1979	Feb. 28, 1979
Current liabilities		
Accounts payable and accrued liabilities	\$2,184,377	\$1,608,944
Income taxes payable	412,711	97,981
	<u>2,597,088</u>	<u>1,706,925</u>
Deferred income taxes (Note 10)	4,600	—
Minority interest in subsidiary	<u>35,264</u>	<u>37,066</u>
Shareholders' equity		
Capital Stock		
Authorized		
96,930 Preferred shares of \$8 par value each issuable in series;		
1,000,000 Common shares, without par value.		
Issued		
623,310 Common shares (Note 4)	1,077,330	1,075,380
Capital Surplus	58,280	58,280
Retained Earnings	1,003,894	191,203
	<u>2,139,504</u>	<u>1,324,863</u>
	<u>\$4,776,456</u>	<u>\$3,068,854</u>

(See accompanying notes)

In our opinion, these financial statements present fairly the consolidated financial position of the companies as at December 31, 1979 and the results of their operations and changes in financial position for the ten months then ended in accordance with generally accepted accounting principles applied on a basis consistent with the preceding year.

Resnick, Wintraub & Co.

Chartered Accountants

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE TEN MONTHS ENDED DECEMBER 31, 1979 (NOTE 11)
(with comparative figures for the twelve months ended February 28, 1979)

	Dec. 31, 1979	Feb. 28, 1979
SALES		
Warehouse sales	\$ 10,490,308	\$ 11,615,117
Commission sales	9,963,081	9,606,562
	<u>\$ 20,453,389</u>	<u>\$ 21,221,679</u>
Gross profit	\$ 4,157,155	\$ 4,575,686
Selling and administrative expenses	3,675,529	4,157,270
Depreciation	98,096	31,927
Interest expense	30,881	65,175
	<u>3,804,506</u>	<u>4,254,372</u>
Profit before income taxes and extraordinary item	352,649	321,314
Income taxes		
Current	164,945	147,400
Deferred	4,600	—
	<u>169,545</u>	<u>147,400</u>
	<u>183,104</u>	<u>173,914</u>
Minority interest — share of profit of a subsidiary	217	1,953
Profit before extraordinary item	182,887	171,961
Extraordinary item (Note 12)	699,567	(18,222)
Net profit for the period	\$ 882,454	\$ 153,739
Earnings per share:		
Before extraordinary item	\$ 0.293	\$ 0.276
Extraordinary item	1.122	(0.029)
Net profit	\$ 1.415	\$ 0.247

(See accompanying notes)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE TEN MONTHS ENDED DECEMBER 31, 1979 (NOTE 11)
(with comparative figures for the twelve months ended February 28, 1979)

	Dec. 31, 1979	Feb. 28, 1979
RETAINED EARNINGS , beginning of period	\$ 191,203	\$ 150,153
Net profit for the period	882,454	153,739
	<u>1,073,657</u>	<u>303,892</u>
Dividends paid on — Preferred shares	—	736
— Common shares	74,899	111,890
	<u>74,899</u>	<u>112,626</u>
Premium on redemption of preference shares	—	1,138
	<u>74,899</u>	<u>113,764</u>
	<u>998,758</u>	<u>190,128</u>
Increase in cash surrender value of life insurance in excess of premiums paid . . .	5,136	1,075
Retained earnings , end of period	\$ 1,003,894	\$ 191,203

(See accompanying notes)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE TEN MONTHS ENDED DECEMBER 31, 1979 (NOTE 11)
(with comparative figures for the twelve months ended February 28, 1979)

	Dec. 31, 1979	Feb. 28, 1979
Source of funds		
Net profit for the period	\$ 882,454	\$ 153,739
Add: Items not requiring an outlay of funds:		
Depreciation	98,096	31,927
Deferred income taxes	4,600	—
Minority interest — share of profit of a subsidiary	217	1,953
Gain on sales of trademark and goodwill	(945,404)	—
Goodwill written-off	245,837	18,222
Gain on disposal of fixed assets	(30,664)	—
Funds from operation	255,136	205,841
Proceeds from sale of life insurance (net of loans)	18,146	—
Proceeds from sale of common shares	1,950	2,800
Proceeds from disposal of fixed assets	51,000	10,096
Proceeds on sales of trade marks and goodwill (net of income tax)	944,900	—
Increase in capital surplus	—	1,400
Repayment from loans receivable	16,466	12,113
	<u>1,287,598</u>	<u>232,250</u>
Use of funds		
Purchase of fixed assets	367,667	35,227
Increase in loans receivable	—	43,500
Dividends paid on — preferred shares	—	736
— common shares	74,899	111,890
Increase ¹ in notes receivable	98,621	—
Increase in cash surrender value of life insurance (net of premium paid)	3,160	1,878
Purchase of minority interest	2,019	3,579
Redemption of preference shares	—	24,560
Premium paid on redemption of preference shares	—	1,138
	<u>546,366</u>	<u>222,508</u>
Increase in working capital	741,232	9,742
Working capital, beginning of period	736,027	726,285
Working capital, end of period	<u>\$1,477,259</u>	<u>\$ 736,027</u>
Working capital represented by:		
Current assets	\$4,074,347	\$2,442,952
Current liabilities	2,597,088	1,706,925
	<u>\$1,477,259</u>	<u>\$ 736,027</u>

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1979

1. SUBSIDIARY COMPANIES

The accompanying financial statements consolidate the accounts of the company and all of its subsidiaries:

	Ownership of Voting Stock
Stuart House Canada Limited	100.0%
Stuart House Ontario Limited (Formerly Romar Pet Supplies Limited)	100.0%
Burlington Packaging Limited	94.03%

2. FIXED ASSETS

The major categories of fixed assets at December 31, 1979 are as follows:

	Cost	Accumulated Depreciation	Net Book Value		Rates
			Dec. 31, 1979	Feb. 28, 1979	
Machinery and equipment	\$746,195	\$526,753	\$219,442	\$ 45,691	20%
Vehicles	100,202	55,504	44,698	24,915	30%
Aircraft	101,458	21,137	80,321	6,448	40%
Leasehold improvements	44,473	39,649	4,824	22,996	
	<u>\$992,328</u>	<u>\$643,043</u>	<u>\$349,285</u>	<u>\$100,050</u>	

Straight-line depreciation is written on leasehold improvements over the terms of the leases, and the diminishing balance method is applied to the other depreciable assets at the rates shown above.

3. BANK LOAN

The accounts receivable and inventories have been specifically pledged as security for the bank loan.

4. CAPITAL STOCK

Under the company's employee stock purchase plan, common shares may be purchased in September each year in lots of ten at the current market price, and payment may be spread over three years. At the period end, the total number of shares available under this plan is 14,270. During the period, the employees have exercised the option and 700 common shares have been issued.

5. LEASE AND OTHER COMMITMENTS

The company has signed an agreement in a prior year with a shareholder, Stuart (Nassau) Limited, for Nassau to provide it with consulting and advisory services, at a rate of \$30,000 per annum. This agreement expires December 31, 1982.

The company and its subsidiaries are committed to annual rentals under leases as follows:

1980 —	\$50,458
1981 — 1991	\$32,968

6. DIRECTORS' REMUNERATION

The aggregate remuneration (none of which was to the directors as such) charged to consolidated earnings for the ten months ended December 31, 1979 in respect of five directors (all of whom were also officers) was \$328,743 (\$293,594 for the year ended February 28, 1979) all of which was paid by Stuart House Canada Limited.

7. CASH SURRENDER VALUE OF LIFE INSURANCE

Cash surrender value of life insurance is stated net of loans of \$Nil (February 28, 1979 — \$81,458).

8. LOANS RECEIVABLE

The loans receivable include loans in the amount of \$151,819 made to directors, who are employees, to enable them to purchase or erect dwellings. These loans are secured by mortgages on the properties.

9. NOTES RECEIVABLE

During the period the company sold the remaining life insurance policies having an aggregate cash surrender value of \$98,621 to Vanctor Investments Limited in consideration for a 3% promissory note due upon the death of the insured.

As part of this transaction the amount borrowed by the company on these policies was transferred to Vanctor Investments Limited in consideration for the assumption of the liability for this loan by Vanctor Investments Limited.

10. DEFERRED INCOME TAXES

The company charges earnings with income taxes currently payable and also with taxes deferred resulting from claiming capital cost allowance in excess of depreciation recorded in the accounts. The accumulated total of such deferments is reflected in the balance sheet as "Deferred Income Taxes".

11. CHANGE IN FISCAL YEAR-END

During the period the company changed its fiscal year-end from February 28 to December 31.

12. EXTRAORDINARY ITEMS

	Dec. 31, 1979	Feb. 28, 1979
Gain on sale of trademark and goodwill of a subsidiary company, net of income taxes of \$260,000	\$ 945,404	\$ —
Goodwill written-off	(245,837)	(18,222)
	<u>\$ 699,567</u>	<u>\$ (18,222)</u>

13. COMPARATIVE FIGURES

Certain of the February 28, 1979 figures have been reclassified in order to conform with the presentation adopted for the current year.

STUART HOUSE LIST OF CURRENT PRINCIPALS

Stuart House has a corporate policy of representing only those principals whom the sales agency can service most effectively. Sales representatives are charged, therefore, with selling a select list of products on a detailed, planned basis.

Its satisfied current principals provide the best testimony to the reliability and profitability of partnership with

“THE SALES HOUSE THAT COVERS ALL OF CANADA.”

Principal	Brand
LEWIS-HOWE CO. LTD. Windsor, Ontario	TUMS AND NATURE'S REMEDY
SWIZZELS MATLOW LTD. New Mills, England	IMPORTED ENGLISH CONFECTIONERY
W. T. HAWKINS LTD. Belleville, Ontario	CHEEZIES MAGIC-POP POPPING CORN
POLYMER INTERNATIONAL (NS) LIMITED Truro, Nova Scotia	PLASTIC GARBAGE BAGS
BARNES-HIND PHARMACEUTICALS Sunnyvale, California	BARNES-HIND SOLUTIONS, ETC., FOR CONTACT LENSES
AMERICAN CANDY MFG. Selma, Alabama	ELAINE'S OLD FASHIONED CANDY STICKS
C. K. MYERS LTD. Mississauga, Ontario	MYERS ICED TEA MYERS SEAFOOD BATTER
WALKERS NONSUCH LTD. Stoke on Trent, England	WALKER'S ENGLISH TOFFEE
MITCHUM-THAYER LTD. Toronto, Ontario	MITCHUM ANTI-PERSPIRANT MAZON, OROFIX, ETC.
KURLASH-DIAMON DEB Newburgh, New York	KURLASH AND DIAMON DEB NAIL FILES
TELEDYNE CORPORATION Toronto, Ontario	WATER PIK, ONE STEP AT A TIME
COMBE INCORPORATED White Plains, New York	ODOR-EATER LANACANE
TOOTSIE ROLL OF CANADA LIMITED Toronto, Ontario	TOOTSIE ROLLS AND POPS
STANDARD BRANDS FOOD COMPANY Toronto, Ontario	ROMAR 90 DOG AND CAT FOOD

LISTE DES PRINCIPAUX CLIENTS DE STUART HOUSE

Stuart House a pour principe de ne représenter que ceux des clients que l'agence de vente peut servir le plus efficacement. Les représentants sont chargés, par conséquent, de vendre au détail des produits sélectionnés sur une base prévue d'avance.

La satisfaction de sa clientèle atteste de la confiance et de la rentabilité de son association avec

“UNE ENTREPRISE D'ENVERGURE NATIONALE”

Client	Marque
LEWIS-HOWE CO. LTD.	TUMS ET REMÈDES NATURELS
SWIZZELS MATLOW LTD.	CONFISERIE IMPORTÉE D'ANGLETERRE
W. T. HAWKINS LTD.	CHEEZIES
POLYMER INTERNATIONAL (N.-E.) LIMITED	SACS À ORDURES EN PLASTIQUE
BARNES-HIND PHARMACEUTICALS	SOLUTIONS BARNES-HIND, ETC. POUR VERRES DE CONTACT
AMERICAN CANDY MFG.	SUCRES D'ORGE ELAINE À L'ANCIENNE
C. K. MYERS LTD.	THE GLACÉ MYERS PÂTE À FRIRE MYERS POUR FRUITS DE MER
WALKERS NONSUCH LTD.	CARAMELS ANGLAIS WALKER
MITCHUM-THAYER LTD.	ANTI-SUDORIFIQUE, MITCHUM MAZON, OROFIX, ETC.
KURLASH-DIAMON DEB	KURLASH ET LIMES À ONGLES DIAMON DEB
TELEDYNE CORPORATION	UNE ÉTAPE À LA FOIS, WATER PIK
COMBE INCORPORATED	DÉODORISANT LANACANE
TOOTSIE ROLL OF CANADA LIMITED	CONFISERIE TOOTSIE ROLLS ET BOISSONS
STANDARD BRANDS FOOD COMPANY	NOURRITURE POUR CHIENS ET CHATS ROMAR 90

7. VALEUR DE RACHAT D'ASSURANCE-VIE

La valeur de rachat d'assurance-vie est indiquée, nette de prêts, pour la somme \$Nil. (Le 28 février 1979 — \$81,458.)

8. PRÊTS À RECEVOIR

Les prêts à recevoir comprennent des prêts au montant de \$151,819 à des administrateurs qui sont des employés afin de leur permettre d'acheter ou de faire construire un domicile. Ces prêts sont garantis par des hypothèques sur les propriétés.

9. BILLETS À RECEVOIR

Pendant la période, la Compagnie a vendu le reste des polices d'assurance-vie ayant une valeur de rachat globale de \$98,621 à Vancor Investments Limited contre un billet à ordre à 3% échéant au décès de l'assuré.

En tant que partie de cette transaction, la somme empruntée par la Compagnie sur ces polices a été transférée à Vancor Investments Limited, en considération de la prise en charge de cet emprunt par Vancor Investments Limited.

10. IMPÔTS SUR LE REVENU REPORTÉS

La Compagnie charge les bénéfices avec les impôts courants sur le revenu à payer et aussi avec les impôts reportés résultant d'un amortissement du coût en capital en excès de l'amortissement inscrits aux comptes. Le total accumulé de ces montants reportés est reflété dans le bilan sous la rubrique "Impôts sur le revenu reportés".

11. CHANGEMENT DE LA FIN DE L'EXERCICE FISCAL

Au cours de la période, la Compagnie a changé la fin de son exercice fiscal, du 28 février au 31 décembre.

12. POSTES EXTRAORDINAIRES

	31 déc.	28 fév.
	1979	1979
Gain sur la vente d'une marque de commerce et d'achalandage d'une filiale,	\$945,404	\$ —
net des impôts sur le revenu de \$260,000	(245,837)	(18,222)
Achalandage radié	\$699,567	\$ (18,222)

13. CHIFFRES COMPARATIFS

Certains chiffres ont été reclassifiés afin d'être conformes à la présentation adoptée pour l'exercice courant.

NOTES AUX ÉTATS FINANCIERS CONSOLIDÉS

31 DÉCEMBRE 1979

1. FILIALES

Les états financiers ci-joints consolident les comptes de la compagnie et ceux de toutes ses filiales:

Avoir en actions	
avec droit de vote	
Stuart House Canada Limited	100.0%
Stuart House Ontario Limited (Aparavant Romar Pet Supplies Limited)	100.0%
Burlington Packaging Limited	94.03%

2. IMMOBILISATIONS

Les principales catégories d'immobilisations au 31 décembre 1979 étaient les suivantes:

Valeur nette comptable	
28 fév. 1979	Taux
Amortissement	
31 déc. 1979	accumulé
Coût	
\$746,195	\$526,753
100,202	55,504
101,458	21,137
44,473	39,649
\$992,328	\$643,043
Améliorations locatives	\$349,285
22,996	4,824
6,448	80,321
24,915	44,698
\$ 45,691	\$219,442
20%	
30%	
40%	
100,050	

Le amortissement linéaire est porté aux améliorations locatives, compte tenu du terme des baux, et la méthode du solde décroissant est appliquée aux autres éléments d'actif sujets à dépréciation, aux taux indiqués ci-dessus.

3. DETTE BANCAIRE

Les comptes à recevoir et les stocks ont été spécialement assignés au nantissement de la dette bancaire.

4. CAPITAL-ACTIONS

En vertu du plan d'achat d'actions par les employés de la Compagnie, des actions ordinaires peuvent être acquises chaque année, en septembre, en lots de dix au prix du marché en cours et leur paiement peut être étalé sur trois ans. Le nombre total d'actions disponibles au titre de ce plan à la fin de la période est de 14,270. Pendant l'exercice, des employés ont exercé l'option et 700 actions ordinaires ont été émises.

5. BAUX ET AUTRES OBLIGATIONS

Au cours d'une année précédente, la Compagnie a signé un accord avec un actionnaire, Stuart (Nassau) Limited, afin que Nassau lui procure ses services consultatifs à raison de \$30,000 par année. Cet accord expirera le 31 décembre 1982.

En vertu des baux contractés par la compagnie et ses filiales, le paiement des loyers annuels se présente de la façon suivante:

1980	\$50,458
1981 - 1991	\$32,968

6. RÉMUNÉRATION DES ADMINISTRATEURS

La rémunération globale (dont aucune partie n'a été remise aux administrateurs en tant qu'administrateurs seulement) portée aux bénéfices consolidés pour l'exercice terminé le 31 décembre 1979 relativement aux cinq administrateurs (dont tous font partie des cadres de la Compagnie) s'élevait à \$328,743 (\$293,594 pour l'exercice terminé le 28 février 1979); la totalité a été payée par Stuart House Canada Limited.

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

POUR LES DIX MOIS TERMINÉS LE 31 DÉCEMBRE 1979 (NOTE 11)
(avec chiffres comparatifs des douze mois terminés le 28 février 1979)

31 déc.
1979

28 fév.
1979

Source des fonds
Profit net de l'exercice \$ 882,454 \$ 153,739
Plus: Postes ne nécessitant pas de mise de fonds:

Amortissement	98,096	31,927
Impôts sur le revenu reportés	4,600	—
Intérêt minoritaire — part des profits d'une filiale	217	1,953
Gain sur la vente d'une marque de commerce et d'achalandage	(945,404)	—
Achalandage radié	245,837	18,222
Gain sur la vente d'immobilisations	(30,664)	—
Fonds d'exploitation	255,136	205,841
Recettes issues des ventes d'assurance-vie (nettes d'emprunt)	18,146	—
Recettes issues de la vente d'actions ordinaires	1,950	2,800
Recettes issues de la vente d'immobilisations	51,000	10,096
Recettes issues de la vente de commerce et d'achalandage (nettes d'impôts sur le revenu)	944,900	—
Augmentation du surplus de capital	—	1,400
Remboursements de prêts à recevoir	16,466	12,113
	<u>1,287,598</u>	<u>232,250</u>

Utilisation des fonds		
Achat d'immobilisations	367,667	35,227
Augmentation des prêts à recevoir	—	43,500
Dividendes payés sur — actions privilégiées	—	736
— actions ordinaires	74,899	111,890
Augmentation des billet à recevoir	98,621	—
Augmentation de la valeur de rachat d'assurance-vie (nette de la prime payée)	3,160	1,878
Achat d'un intérêt minoritaire	2,019	3,579
Remboursement d'actions privilégiées	—	24,560
Prime payée sur le remboursement d'actions privilégiées	—	1,138
546,366		222,508
Augmentation du fonds de roulement	741,232	9,742
Fonds de roulement au début de la période	736,027	726,285
Fonds de roulement à la fin de la période	<u>\$ 1,477,257</u>	<u>\$ 736,027</u>
Fonds de roulement représenté par:		
Disponibilités	\$ 4,074,347	\$ 2,442,952
Exigibilités	2,597,088	1,706,925
	<u>\$ 1,477,259</u>	<u>\$ 736,027</u>

(Voir notes ci-jointes)

ÉTAT CONSOLIDÉ DES OPÉRATIONS

POUR LES DIX MOIS TERMINÉS LE 31 DÉCEMBRE 1979 (Note 11)
(avec chiffres comparatifs des douze mois terminés le 28 février 1979)

	31 déc.	28 fév.
Ventes		
Ventes de l'entrepôt	\$ 10,490,308	\$ 11,615,117
Ventes à commission	9,963,081	9,606,562
	<u>\$ 20,453,389</u>	<u>\$ 21,221,679</u>
Profit brut	\$ 4,157,155	\$ 4,575,686
Frais de vente et d'administration	3,675,529	4,157,270
Amortissement	98,096	31,927
Frais d'intérêt	30,881	65,175
	<u>3,804,506</u>	<u>4,254,372</u>
Bénéfices avant impôts sur le revenu et poste extraordinaire	352,649	321,314
Impôts sur le revenu		
Courants	164,945	147,400
Reportés	4,600	—
	<u>169,545</u>	<u>147,400</u>
Intérêt minoritaire — part des profits d'une filiale	183,104	173,914
	217	1,953
Bénéfices avant poste extraordinaire	182,887	171,961
Poste extraordinaire (Note 12)	699,567	(18,222)
Bénéfices nets de l'exercice	<u>\$ 882,454</u>	<u>\$ 153,739</u>
Bénéfices par action:		
Avant poste extraordinaire	\$ 0.293	\$ 0.276
Poste extraordinaire	1.122	(0.029)
	<u>\$ 1.415</u>	<u>\$ 0.247</u>

(Voir notes ci-jointes)

ÉTAT CONSOLIDÉ DES BÉNÉFICES NON RÉPARTIS

POUR LES DIX MOIS TERMINÉS LE 31 DÉCEMBRE 1979 (NOTE 11)
(avec chiffres comparatifs des douze mois terminés le 28 février 1979)

	31 déc.	28 fév.
Bénéfices non répartis, au début de la période	\$ 191,203	\$ 150,153
Bénéfices nets de la période	882,454	153,739
	<u>1,073,657</u>	<u>303,892</u>
Dividendes payés sur — actions privilégiées	—	736
— actions ordinaires	74,899	11,890
	<u>74,899</u>	<u>112,626</u>
Prime sur remboursement d'actions privilégiées	—	1,138
	<u>74,899</u>	<u>113,764</u>
Augmentation de la valeur de rachat d'une assurance-vie excédant les primes payées	998,758	190,128
	<u>5,136</u>	<u>1,075</u>
Bénéfices non répartis à la fin de l'exercice	<u>\$ 1,003,894</u>	<u>\$ 191,203</u>

(Voir notes ci-jointes)

PASSIF ET AVOIR DES ACTIONNAIRES

	31 déc. 1979	28 fév. 1979
Passif à court terme		
Comptes à payer et frais courus	\$ 2,184,377	\$ 1,608,944
Impôts sur le revenu à payer	412,711	97,981
Impôts sur le revenu reportés (Note 10)	2,597,088	1,706,925
Impôts sur le revenu reportés (Note 10)	4,600	—
Intérêt minoritaire dans une filiale	35,264	37,066
Avoir des actionnaires		
Capital-actions		
Autorisé		
96,930 actions privilégiées d'une valeur au pair de \$8 chacune,		
émisissibles en série;		
1,000,000 actions ordinaires, sans valeur nominale.		
Émis		
623,310 actions ordinaires (Note 4)	1,077,330	1,075,380
Surplus de capital	58,280	58,280
Bénéfices non répartis	1,003,894	191,203
	2,139,504	1,324,863
	\$ 4,776,456	\$ 3,068,854

(Voir notes ci-jointes)

A notre avis, ces états financiers représentent fidèlement la situation financière consolidée des compagnies au 31 décembre 1979 et les résultats de leur exploitation et de l'évolution de leur situation financière pour les dix mois terminés à cette date, selon les principes comptables généralement reconnus et appliqués de la même manière qu'au cours de l'exercice précédent.

Resnick, Wintraub & Co.
Comptables agréés

BILAN CONSOLIDÉ AU 31 DÉCEMBRE 1979 (avec chiffres comparatifs)

ACTIF

	31 déc. 1979	28 fév. 1979
Actif à court terme		
Encaisse et dépôt à terme	\$ 1,071,332	\$ 140,492
Comptes à recevoir	870,571	1,010,277
Stock au coût le plus bas ou à la valeur nette réalisable	2,113,204	1,278,258
Frais payés d'avance	19,240	13,925
	<u>4,074,347</u>	<u>2,442,952</u>

Investissements		
Prêts à recevoir (Note 8)	173,800	190,266
Billets à recevoir (Note 9)	179,024	80,403
Valeur de rachat d'assurance-vie (Notes 7 et 9)	—	9,850
	<u>352,824</u>	<u>280,519</u>
Immobilisations (Note 2)	349,285	100,050

Autres éléments d'actif		
Excédent du coût des investissements dans les filiales par rapport à la valeur nette comptable à l'acquisition (Note 1)	—	245,333
	<u>\$ 4,776,456</u>	<u>\$ 3,068,854</u>

Approuvé au nom du Conseil d'administration:


Administrateur


Administrateur

RAPPORT DES VÉRIFICATEURS
aux actionnaires de
Stuart House International Limited

Toronto, Ontario
mars 21, 1980

Nous avons examiné le bilan consolidé de Stuart House International Limited au 31 décembre 1979, ainsi que les états consolidés d'exploitation, des bénéfices non répartis et de l'évolution de la situation financière pour les dix mois terminés à cette date. Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues et comportait les sondages et autres procédés que nous avons jugés nécessaires dans les circonstances.

A nos actionnaires:

Cet exercice a été aussi fertile en événements que profitable à la compagnie. En fait, et c'est le premier point sur lequel je tiens à insister — nous avons arrêté au 31 décembre la date de fin d'exercice de sorte que nos résultats ne portent que sur dix mois. Nous avons pris cette mesure afin que la clôture de l'exercice coïncide avec celle de la majorité de nos principaux clients pour simplifier les rapports statistiques annuels et trimestriels.

Il est assez difficile de comparer les résultats d'une année de dix mois à ceux de l'exercice précédent qui portaient sur douze mois. Cependant, même en procédant à cette comparaison entre les dix mois terminés le 31 décembre 1979 et les 12 mois terminés le 28 février 1979, nos profits d'exploitation AVANT impôts sur le revenu et postes extraordinaires atteignaient \$353 000, contre \$321 000 c'est-à-dire une augmentation de 10%. Nous avons réalisé à peu près \$30 000 en janvier, février 1980, c'est donc dire qu'au point de vue profits, la période de 1979 aurait été encore meilleure, comparativement aux périodes de douze mois.

Les ventes pour cette période fiscale sont légèrement inférieures à celles de l'année dernière mais ces chiffres sont des statistiques qui ne peuvent être comparées que sur des périodes identiques. L'amélioration est donc marquée cette année. Nos ventes pour la période de dix mois terminée le 31 décembre 1979 se sont élevées à \$20 450 000, contre \$17 680 000 pour la période de dix mois terminée le 31 décembre 1978, c'est donc une augmentation de 16%.

Une autre événement marquant de l'exercice fut la vente de la marque déposée Romar 90. Aliments pour Animaux Familiers, à Standard Brands Limited. Nous avons reçu une somme substantielle en espèces qui figure pour \$700 000 aux livres, au poste Profit Extraordinaire, c'est-à-dire \$1.12 par action. De plus, nous continuerons à vendre Romar 90 en tant qu'agents de Standard Brands pendant trois ans au minimum, à compter du transfert de la marque déposée qui eut lieu en novembre 1979. Indépendamment du profit sur la vente, nous sommes persuadés que cette transaction sera avantageuse pour les deux parties en cause. Standard Brands voulait atteindre une production en volume pour ses nouveaux aménagements de fabrication et comme le conditionnement de Romar a toujours été fait pour nous de toute façon, cette partie de l'affaire signifie tout simplement un nouvel emballage pour Romar.

Nos occupations principales sont les ventes et nous continuerons à représenter Romar en tant qu'agents des ventes. En fait, compte tenu des règlements actuels auxquels est assujettie l'industrie des aliments pour animaux familiers et la nécessité d'un contrôle rigoureux de la valeur nutritive et de la qualité, nous sommes convaincus que cette association avec une usine de fabrication comme Standard Brands est réellement un mariage de convenance qui s'impose si nous voulons rester dans le commerce des aliments pour animaux familiers. Grâce aux aménagements apportés par Standard Brands à son usine de fabrication et aux aménagements destinés à la recherche, nous serons certainement à même d'amplifier le volume des ventes de Romar.

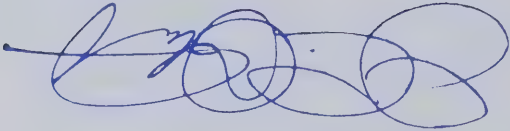
Nos profits d'exploitation, déjà notables, joints à ce profit extraordinaire, nous ont permis de consolider la situation financière de la compagnie. Vous constaterez que nos éléments d'actif corporel ont considérablement augmenté et que le fonds de roulement de la compagnie a doublé passant de \$736 000 au 28 février 1979 à \$1 477 000 au 31 décembre 1979. Vos administrateurs sont d'avis que cette amélioration justifie une augmentation du taux annuel des dividendes sur nos actions ordinaires et nous avons approuvé un nouveau taux de 5¢ par trimestre, 20¢ par action sur une base annuelle, taux entrant en vigueur avec le dividende trimestriel du 24 mai 1980.

Enfin, j'ai le plaisir de vous faire savoir que la présente sera probablement ma dernière missive en tant que président de la compagnie. Ayant accepté le poste de président du Conseil d'administration, je cède ma place à Bill Harding qui possède tous les atouts d'un grand président. Il est entré au service de la compagnie il y a 21 ans en tant que représentant des ventes à London, Ontario. Ses capacités et son travail assidu lui ont valu le poste de vice-président des ventes pour l'Est du Canada.

Avec son collègue, Charlie Hoy, son analogue pour l'Ouest du Canada, Bill a contribué dans une très large mesure aux excellents résultats des ventes de ces dernières années et je sais qu'à son nouveau poste, son zèle ne faillira pas. Nous avons la bonne fortune aussi, pour prendre la relève de Bill, de pouvoir compter sur Charlie Hoy qui a consenti à quitter cette magnifique province qu'est la Colombie Britannique pour venir s'installer à Toronto et y exercer ses fonctions de vice-président des ventes et de la commercialisation pour tout le Canada.

Dans l'ensemble, nous sommes très satisfaits des résultats de l'année passée et je suis persuadé que vous serez d'accord avec moi.

Au nom du Conseil d'administration



J. L. Stuart,
Président

Toronto, Ontario
le 16 avril, 1980

STUART HOUSE INTERNATIONAL LIMITED

ADMINISTRATEURS ET CADRES

Président John Lyon Stuart
Vice-président — Ventes, Est du Canada A. W. (Bill) Harding
Vice-président — Ventes, Ouest du Canada C. E. (Chas.) Hoy
Vice-président — Finance Howard Maitman
Secrétaire Tyrus Ebata

BANQUIERS

La Banque Royale du Canada

AGENT COMPTABLE DES TRANSFERTS

La Compagnie Montreal Trust, Toronto et Calgary

VÉRIFICATEURS

Resnick, Wintraub & Co Toronto, Ontario

BUREAUX DE VENTE-ENTRÊPÔTS ET DIRECTEURS

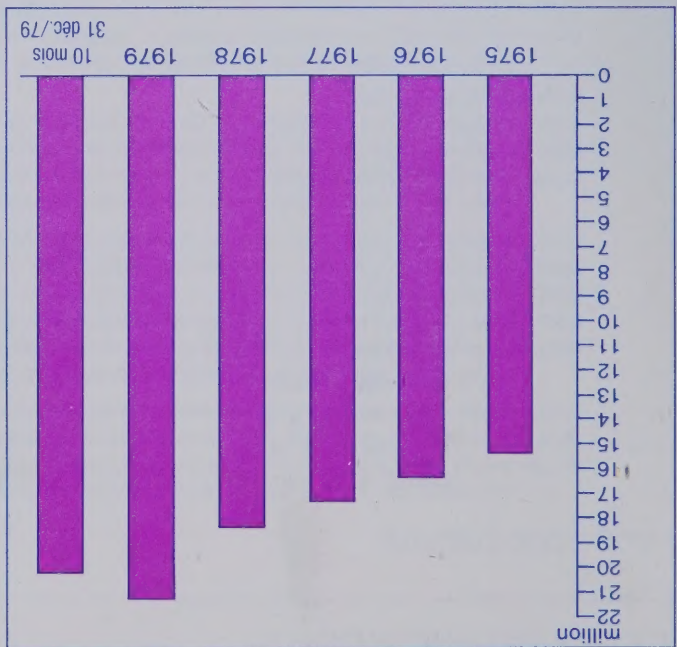
Siège social et entrepôt de Toronto 22 Lido road, Weston, Ontario
Don Scott, directeur des ventes, 416-745-8850
Usine 66 Rivalda road, Weston, Ontario
Ted Mitchell, directeur d'usine, 416-745-8850
Montréal 1999 Frances Hughes, Chomedey Laval, Québec
Nick Trudel, directeur des ventes, 514-663-6110
Halifax Entrepôt des Maritimes, 28 Tople Dr., Dartmouth, Nouvelle-Ecosse
Lew Hue, directeur des ventes, 902-463-1661
Winnipeg Seaway Midwest, 1731 Inkster Blvd., Winnipeg, Manitoba
Ron Henley, directeur des ventes, 204-633-6510
Edmonton Consolidated Warehouse, 14775 - 124th Ave., Edmonton, Alberta
Harold Rosychuk, directeur des ventes, 403-475-1585
Vancouver M & W Distribution, 927 Derwent Way, Annacis Island
New Westminster, Colombie-Britannique
Bob Clare, directeur des ventes, 604-525-7355

FILIALES

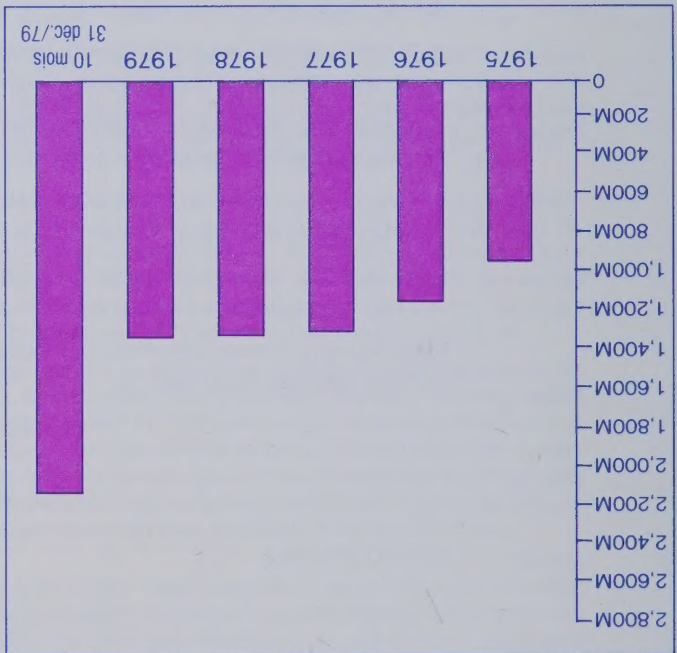
Stuart House Canada Limited Weston, Ontario
Burlington Packaging Limited Burlington, Ontario
Romar Pet Supplies Limited Weston, Ontario

LES POINTS SAILLANTS

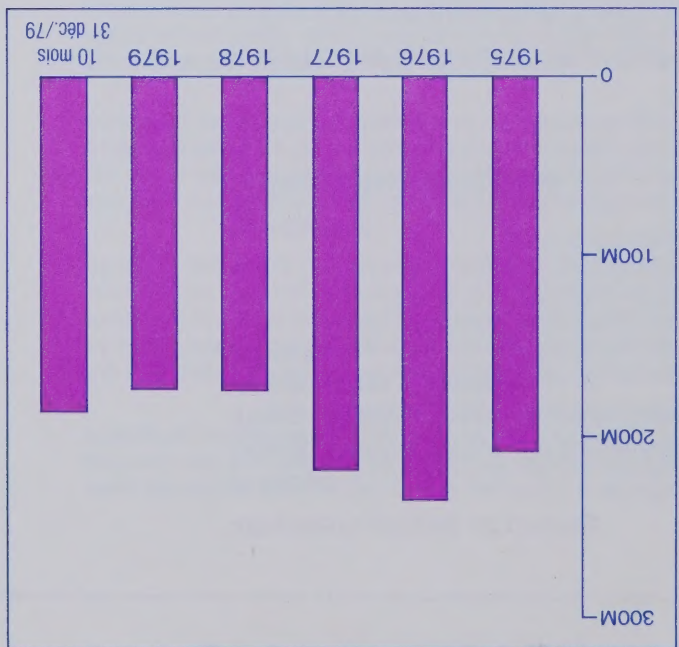
Ventes en \$



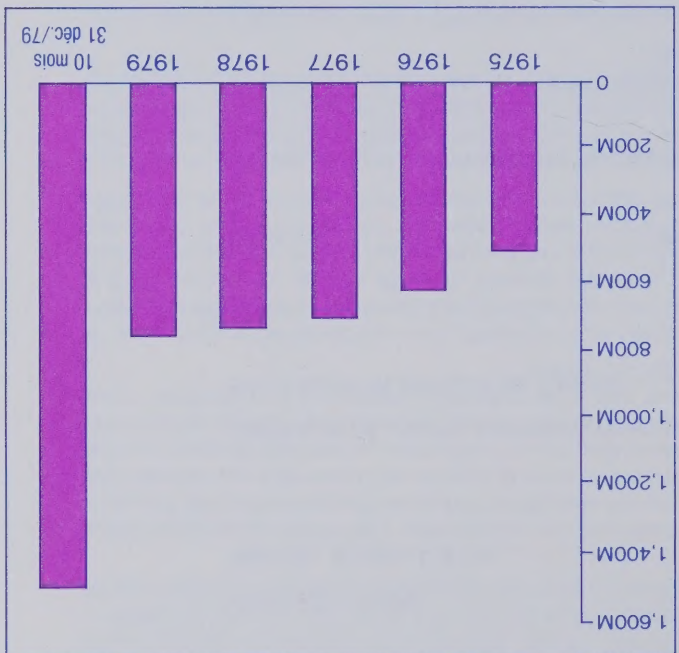
Part des actionnaires



Fonds de roulement



Profit net (Avant postes extraordinaires)



Points saillants du bilan

\$000	1975	1976	1977	1978	1979	31 déc. 1979	10 mois
Exigibilités totales	1,374	1,290	1,375	1,942	1,707	2,602	
Disponibilités	1,876	1,900	2,060	2,669	2,443	4,074	
Disponibilités matérielles	2,046	2,208	2,440	3,022	2,823	4,777	
Part des actionnaires	907	1,145	1,291	1,304	1,325	2,140	
Fonds de roulement	492	614	691	726	736	1,477	

Points saillants d'exploitation

\$000	1975	1976	1977	1978	1979	31 déc. 1979	10 mois
Ventes	447	477	413	348	321	353	
Profit brut	202	233	217	173	172	183	
postes extraordinaires	32.6¢	37.6¢	35.1¢	27.9¢	27.6¢	29.3¢	
Bénéfices par action	338	239	221	173	154	883	
y compris postes extraordinaires	54.4¢	38.6¢	37.5¢	27.9¢	24.7¢	\$1.42	
Par action, y compris postes extraordinaires	338	239	221	173	154	883	

Stuart House International Limited

période prenant fin le 31 décembre 1979

Rapport Annuel

Stuart House